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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85073; File No. SR-FINRA-2019-003]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change Relating to FINRA Rule 6750 (Dissemination of Transaction Information)

February 7, 2019

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 29, 2019, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rule 6750 to provide that FINRA may publish or distribute aggregated transaction information and statistics on non-disseminated TRACE-Eligible Securities at no charge.

The text of the proposed rule change is available on FINRA’s website at <http://www.finra.org>, at the principal office of FINRA and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

Rule 6750 (Dissemination of Transaction Information) (the "Rule") generally provides for the dissemination of information on all transactions in TRACE-Eligible Securities<sup>3</sup> immediately upon receipt of the transaction report,<sup>4</sup> except as set forth in the Rule. Rule 6750(c) (Transaction Information Not Disseminated) specifies the circumstances under which FINRA will not disseminate information on a transaction in a TRACE-Eligible Security — i.e., non-member affiliate trades; certain transfers of proprietary interests; List or Fixed Offering Price or Takedown Transactions;<sup>5</sup> certain Securitized Products;<sup>6</sup> and U.S. Treasury Securities.<sup>7</sup>

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<sup>3</sup> Rule 6710 generally defines a "TRACE-Eligible Security" as: a debt security that is United States ("U.S.") dollar-denominated and is: (1) issued by a U.S. or foreign private issuer, and, if a "restricted security" as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; (2) issued or guaranteed by an Agency as defined in Rule 6710(k) or a Government-Sponsored Enterprise as defined in Rule 6710(n); or (3) a U.S. Treasury Security as defined in Rule 6710(p). "TRACE-Eligible Security" does not include a debt security that is issued by a foreign sovereign or a Money Market Instrument as defined in Rule 6710(o).

<sup>4</sup> FINRA generally requires members to report transactions in any security that meets the definition of "TRACE-Eligible Security" to the Trade Reporting and Compliance Engine ("TRACE"), unless an exception applies. See Rule 6730 (Transaction Reporting).

<sup>5</sup> List or Fixed Offering Price or Takedown Transactions are primary market sale transactions on the first day of trading, as set forth in Rule 6710(q) or 6710(r). Such transactions exclude all Securitized Products (as defined in Rule 6710(m) except Asset-Backed Securities (as defined in Rule 6710(cc)). See Rules 6710(q) and 6710(r).

<sup>6</sup> Specifically, FINRA does not disseminate information on transactions in collateralized mortgage-backed securities ("CMBSs") and collateralized debt obligations ("CDOs"). FINRA may disseminate information on transactions in collateralized mortgage obligations ("CMOs") depending on the transaction size and level of trading activity in the CMO. See Rule 6750(b).

FINRA currently offers a number of real-time and historic TRACE data products on disseminated transactions for a fee.<sup>8</sup> FINRA also publishes and distributes aggregated transaction information and statistics on disseminated transactions at no charge. FINRA proposes to amend the Rule to include supplementary material to clarify that, notwithstanding Rule 6750(c), FINRA may, in its discretion, publish or distribute aggregated transaction information and statistics on TRACE-Eligible Securities that are not subject to dissemination, other than U.S. Treasury Securities, at no charge (unless FINRA submits a rule filing imposing a fee for such data). For example, FINRA may publish aggregated transaction information and statistics on trades in CMBSs and CDOs, including data on aggregate daily volume, aggregate daily number of trades, and average price information, and such information may be grouped within customer buy, customer sell, dealer-to-dealer, year of issuance, investment rating, or other categories. Under the proposal, FINRA would not identify individual market participants or transactions. In addition, FINRA would not publish aggregated transaction information and statistics by individual securities. The proposed rule change would not apply to U.S. Treasury Securities. FINRA believes that the proposed rule change will benefit investors and market participants by providing additional information on TRACE Eligible-Securities at no cost, while maintaining the confidentiality of individual market participants and transactions.

If the Commission approves the proposed rule change, the effective date of the proposed rule change will be the date of Commission approval.

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<sup>7</sup> “U.S. Treasury Security” means a security, other than a savings bond, issued by the U.S. Department of the Treasury to fund the operations of the federal government or to retire such outstanding securities. The term also includes separate principal and interest components of a U.S. Treasury Security that has been separated pursuant to the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program operated by the U.S. Department of Treasury. See Rule 6710(p).

<sup>8</sup> See Rule 7730 (Trade Reporting and Compliance Engine (TRACE)).

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>9</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 15A(b)(9) of the Act,<sup>10</sup> which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate.

FINRA believes that the proposed rule change will promote greater transparency for TRACE-Eligible Securities. FINRA believes the proposal strikes an appropriate balance between providing insightful information on TRACE-Eligible Securities at no charge while preserving the confidentiality of individual market participant identities and transactions. Accordingly, FINRA believes the proposal is in the public interest and will help promote transparency.

### B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Since the proposed amendment clarifies FINRA's discretion in publishing or distributing aggregated transaction information and statistics on TRACE-Eligible Securities, FINRA believes that there are no direct or indirect impacts on member firms and investors.

### C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

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<sup>9</sup> 15 U.S.C. 78o-3(b)(6).

<sup>10</sup> 15 U.S.C. 78o-3(b)(9).

### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2019-003 on the subject line.

#### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2019-003. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies

of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make

available publicly. All submissions should refer to File Number SR-FINRA-2019-003, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

Eduardo A. Aleman,  
Deputy Secretary.

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<sup>11</sup> 17 CFR 200.30-3(a)(12).

